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FM AMCONSUL HALIFAX  
TO RUEHC/SECSTATE WASHDC 0019  
RUEHOT/AMEMBASSY OTTAWA  
INFO RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
RUEHGA/AMCONSUL CALGARY  
RUEHHA/AMCONSUL HALIFAX  
RUEHMT/AMCONSUL MONTREAL  
RUEHON/AMCONSUL TORONTO  
RUEHQU/AMCONSUL QUEBEC 0012  
RUEHVC/AMCONSUL VANCOUVER

UNCLAS HALIFAX 000006

SIPDIS  
STATE FOR WHA/CAN, EB/ESC/ISC  
DEPT PLS PASS TO FERC  
USDOE FOR IA (DEUTSCH)

E.O. 12958: N/A

TAGS: [ENRG](#) [ECON](#) [ETRD](#) [EINV](#) [PGOV](#) [CA](#)

SUBJECT: New Brunswick and Quebec Agree to Significant Modifications of Utility MOU

REF: A. HALIFAX 0004 AND PREVIOUS; B. 09 OTTAWA 0828

¶1. SUMMARY: New Brunswick will retain control of its transmission system under a new, renegotiated energy agreement with Quebec, but with reduced cash to apply to its power utility's debt. The changes were prompted by bitter opposition to the original MOU but there is also speculation that a plan to build a new transmission system to the United States was also a factor. END SUMMARY

¶2. On January 20, the governments of New Brunswick and Quebec announced the details of a revised agreement on selling assets of New Brunswick Power to Hydro Quebec (reftels). New Brunswick Premier Shawn Graham and Quebec Premier Jean Charest signed the original Memorandum of Understanding in October 2009, which would have seen Hydro Quebec assume the major assets of New Brunswick Power including its transmission lines for \$(Can.)4.75 billion, the sum of NB Power's debt. However, in the new \$(Can.) 3.2 billion deal, New Brunswick will still be selling the bulk of its generation capacity to HQ while keeping control of its transmission and distribution operations. Details of the revised agreement are available online:

<http://www.gnb.ca/cnb/news/pre/2010e0074pr.htm> and  
<http://www.gnb.ca/cnb/news/pre/2010e0073pr.htm>.

¶3. New Brunswick Premier Shawn Graham was forced to negotiate the amendments with his Quebec counterpart after fierce opposition to the deal caused a damaging split in his cabinet and caucus. Premier Danny Williams of Newfoundland-Labrador, joined by Nova Scotia Premier Darrell Dexter, had also been a staunch opponent of the original agreement, believing that it would give Quebec control over transmission routes into the Northeast U.S., thereby jeopardizing future energy projects in Atlantic Canada. There is also speculation that a plan by New Brunswick-based Fort Reliance (in partnership with private and public sector players) to build an alternate regional power corridor into Maine put pressure on the negotiators to close on the deal.

¶4. Comment: With both premiers sticking to the original March 31 deadline to sign the final deal, action now moves to the two provincial legislatures for ratification. However, NB Premier Graham is likely to wait for an independent panel, now shifting its focus to study the new agreement, to present its work before

tabling approval legislation. Given that the new MOU has satisfied most of Graham's critics (particularly those within his own party), there appears to be little to stop the deal from getting the green light in New Brunswick. END COMMENT

[15](#). This report was coordinated with AmEmbassy Ottawa and ConGens Quebec and Montreal.  
SMITH